

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Alternative Investments- Audit Finding

ITEM NUMBER: 6

ATTACHMENT(S): 2

ACTION: X

DATE OF MEETING: March 3, 1999

INFORMATION:

PRESENTER(S): Mr. Mitchell

EXECUTIVE SUMMARY

This presentation is to address one exception found by the CalSTRS Internal Audit Department in the course of their 1998 audit of the Alternative Investment area. The exception relates to eleven partnerships where the management fees are paid outside (in addition to) the capital commitment. These partnerships were presented and approved between 1990 and 1996.

The management fee arrangement was included in the material presented to the Investment Committee at the time the investment approved. However, staff and Abbott Capital Management did not clearly indicate to the Investment Committee that the management fee would be outside (in addition to) the capital commitment for each partnership. The eleven effected partnerships are identified in Attachment 1.

Staff and Pathway Capital Management have reviewed and analyzed every partnership in the portfolio to identify the required changes and appropriately recognize the total capital commitment including management fees.

Recommendation

Staff recommends Investment Committee approval of Attachment 2 to increase the capital commitment to the eleven partnerships as identified in Attachment 1.

[illegible]

RESOLUTION
OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Authorization to Increase Capital Commitments
to Eleven Alternative Investment Partnerships

WHEREAS, the Board is responsible for managing the California State Teachers' Retirement Fund (Fund), a Pension Fund; and

WHEREAS, the Board has delegated to the Investment Committee the authority to enter into investments which are recommended by the Chief of Investments and staff and a manager or advisor engaged by the System; and

WHEREAS, an internal audit of the Alternative Investment area identified eleven partnerships where the management fees are paid outside the capital commitment;

WHEREAS, staff and Pathway Capital Management have reviewed and analyzed every partnership in the portfolio to identify the required changes and appropriately recognize the total capital commitment including management fees; Therefore be it

RESOLVED, that the Investment Committee approves increasing the capital commitment to the eleven partnerships identified in Attachment 1 of this agenda item.

Adopted by:
Investment Committee

On March 3, 1999

James D. Mosman
Chief Executive Officer